

AR47

# 1979 Annual Report Automotive Hardware Limited



## Financial Highlights



| Year Ended December 31   | 1979          | 1978*         | % Change |
|--------------------------|---------------|---------------|----------|
| Sales                    | \$162,918,632 | \$ 92,640,399 | + 75.9   |
| Earnings From Operations | \$ 6,199,725  | \$ 3,053,265  | + 103.1  |
| Net Earnings             | \$ 7,250,723  | \$ 4,104,524  | + 76.7   |
| Net Earnings Per Share   | \$ 3.18       | \$ 1.95       | + 63.1   |
| Working Capital          | \$ 33,932,632 | \$ 25,882,792 | + 31.1   |
| Working Capital Ratio    | 2.16:1        | 2.00:1        |          |
| Shareholders' Equity     | \$ 42,834,133 | \$ 35,913,736 | + 19.3   |
| Equity Per Share         | \$18.82       | \$17.01       | + 10.6   |
| Dividends Per Share**    | 54¢           | 42¢           | + 28.6   |

\* Results include operations of Arrowhead Metals Ltd. from June 1, 1978.

\*\* Dividend of 12¢ declared February 5, 1979 which normally would have been declared as a quarterly dividend in December 1978 is reflected in 1978 for comparison purposes.





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| Working Capital Ratio .....    | <b>2.16:1</b>        | 2.00:1        |          |
| Shareholders' Equity .....     | <b>\$ 42,834,133</b> | \$ 35,913,736 | + 19.3   |
| Equity Per Share .....         | <b>\$18.82</b>       | \$17.01       | + 10.6   |
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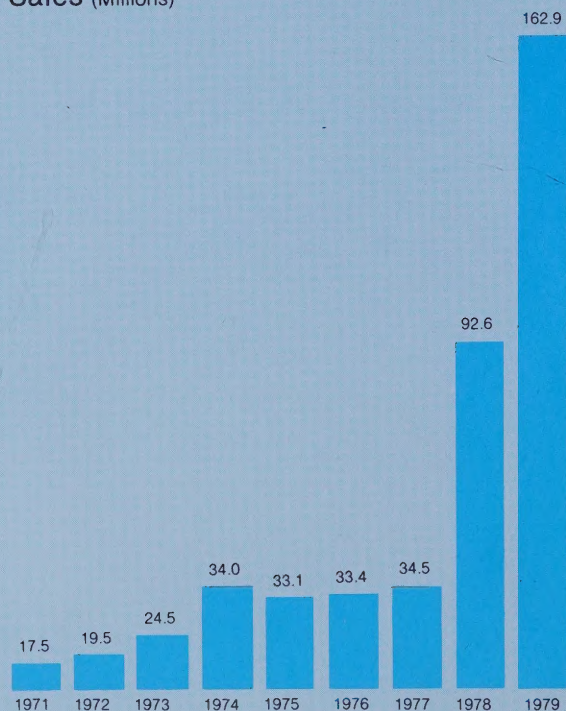
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# Graphic Analysis

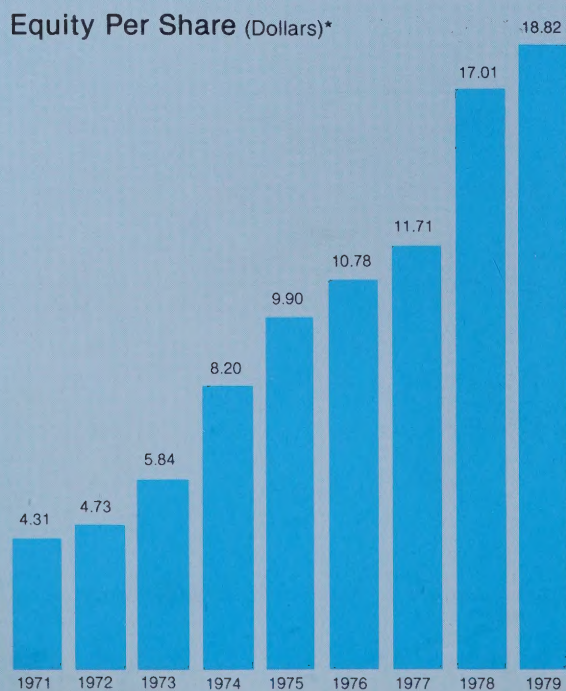
Sales (Millions)



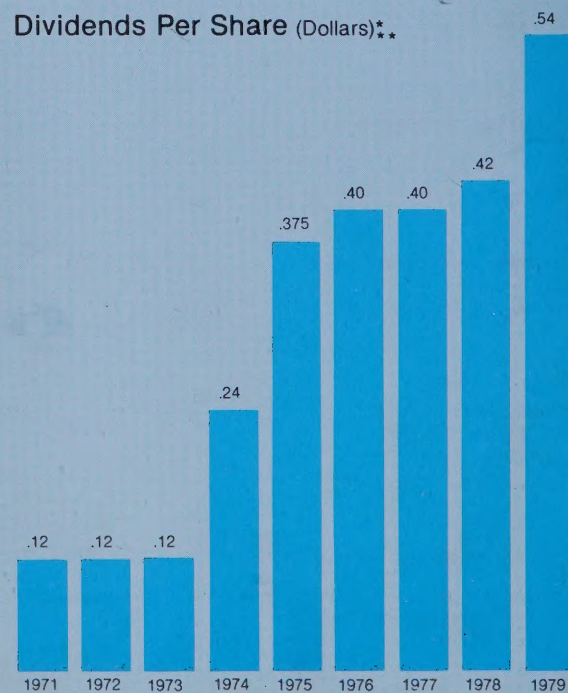
Net Earnings (Millions)



Equity Per Share (Dollars)\*



Dividends Per Share (Dollars)\*\*



\* These items give effect to the 1979 subdivision of shares on the basis of two for one which became effective on the 15th day of January 1979.

\*\* Dividend of 12¢ declared February 5, 1979 which normally would have been declared as a quarterly dividend in December, 1978.



## President's Message To Shareholders

I am pleased again to report record sales and profits for your Company. Per share earnings from operations in 1979 were \$2.72, an increase of 87.6% over 1978. Shareholder participation in these profits was realized in the form of a quarterly dividend increase of 25% to 15 cents per share commencing with the third quarter of the year. I refer you to the accompanying graphs and charts which demonstrate our performance over the past year.

During the year, one in which your Company joined the ranks of the 250 largest companies in Canada, we have undergone a lengthy and intensive operational review with a view to streamlining operations and effecting cost reductions. At a time when some industries face economic problems, we have expanded our distribution network to better serve our customers.

Our prospects for the new decade are excellent for all divisions. With the growth of the energy sector, both petroleum and electricity, comes demand for pipelines, refineries and transmission towers which use a wide variety of fasteners. The planned expansion of production equipment in our Fastener Division coupled with the improved distribution network will permit us to satisfy the increased demand. The \$8 million tube mill modernization program in our ArrowHead Division will provide much needed tube-making capacity. Our DOCAP Division promises continued success as our share of the automotive aftermarket increases.

On behalf of the Board of Directors, I extend our gratitude to all our employees, customers, suppliers and shareholders for their continued support throughout the past year.



For the Board of Directors,

A handwritten signature in blue ink that reads "Irwin Goldhart". The signature is fluid and cursive, with the first name "Irwin" and last name "Goldhart" clearly distinguishable.

Irwin Goldhart, *President*

April 28, 1980



# Automotive Hardware Limited Federal Bolt & Nut Corporation Limited Automatic Screw Machine Products Limited

Strong market demand for our fastener products continued throughout 1979. Our companies endeavoured to meet this demand by increasing their production capacity through the acquisition of new and modern equipment and an aggressive recruiting program of skilled workers.

In keeping with our practice of modernization, our manufacturing companies, namely, Federal Bolt & Nut and Automatic Screw Machine Products acquired additional high speed, technologically advanced equipment which will enable us to remain competitive in domestic and world markets. A new heat treating facility was installed during the year which allows us to produce a wider range of fasteners required for use in Canada's oil pipelines and refineries.

To further meet the challenge Automotive Hardware, as the wholesaling company, continued to improve our distribution network which stretches from coast to coast. We opened a new 50,000 square foot warehouse in Winnipeg's St. Boniface Industrial Mall and enlarged the Vancouver and Edmonton warehouses. We are pleased to report that a contract has been let to expand the Dartmouth warehouse by the end of 1980, at which time warehouse capacity across Canada will total 615,000 square feet thus providing sufficient capacity to satisfy the increased demand for our product.

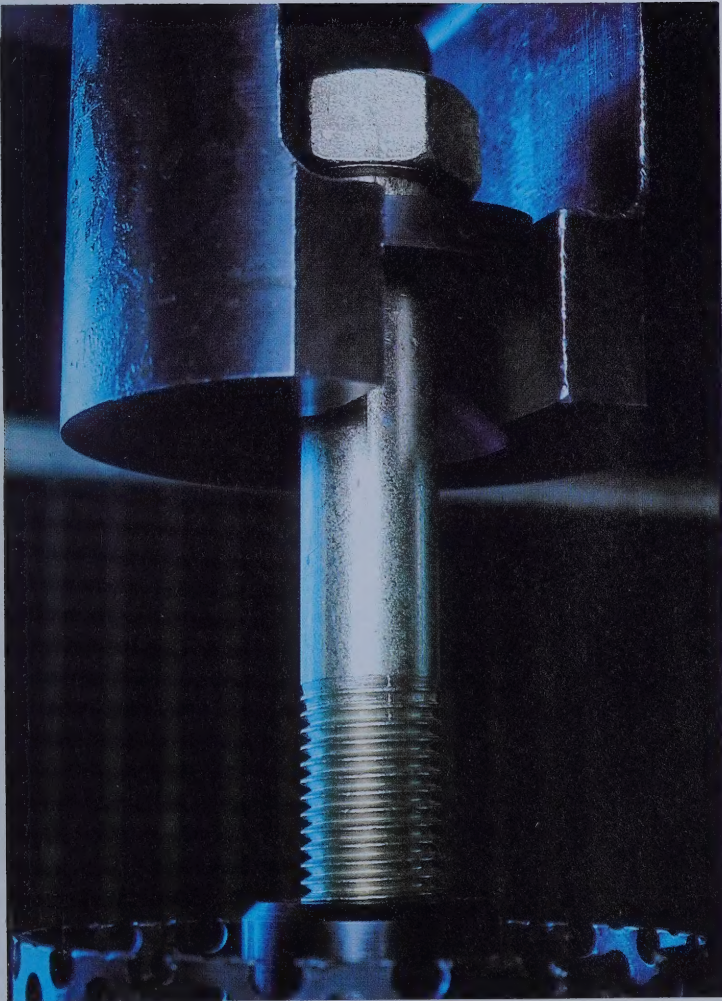
Our long awaited computerization program is beginning to take shape. The Order Entry / Billing System is currently in use with other systems planned for 1980.

The anticipated economic recession which is of great concern to all Canadians should not have any serious impact on our operations in view of the current heavy demand and backlog. We actually are faced with the task of expanding capacity to meet the growing demand for our products.

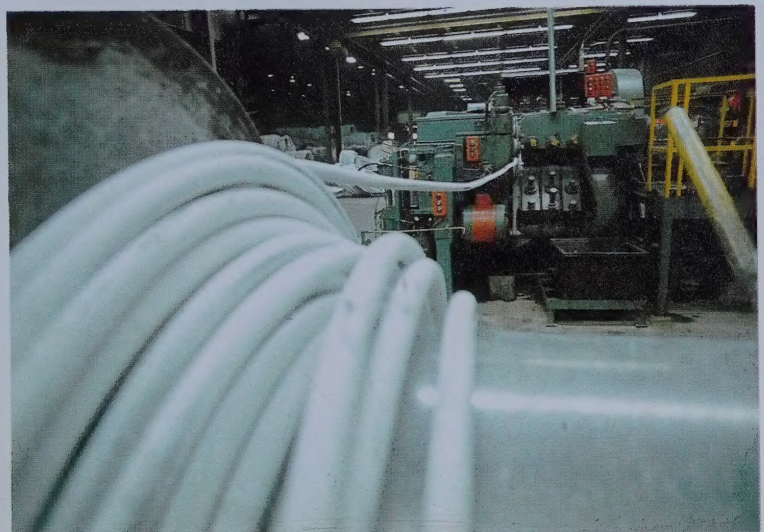
*Nuts, exiting the heat treat furnace, staged for inspection prior to packaging*







*A tensile tester machine checking the potential "Breaking Point" of a bolt.*



*A coil of raw material being fed into one of our high speed Bolt Makers.*



# Docap Corporation Limited

DOCAP Corporation Limited again achieved record sales and profits in 1979. Aggressive sales and marketing techniques have enabled us to gain a larger share of the growing automotive aftermarket.

DOCAP has become a major force in the Canadian automotive aftermarket, offering American prime manufacturers a vehicle to reach the Canadian market while offering its customers accessibility to a wide range of products through seven warehouses strategically located across Canada.

A major new line has been added to its product base, namely, the Robertshaw Controls Company of Knoxville, Tennessee, a leading supplier of thermostats, thermostatic controls and pollution devices to vehicle manufacturers in the United States and Canada.

The immediate and long range outlook for DOCAP's continued growth is extremely encouraging and exciting.



*DOCAP's busy pick-up counter*



*DOCAP's universal joints & gears*



# ArrowHead Metals Ltd.

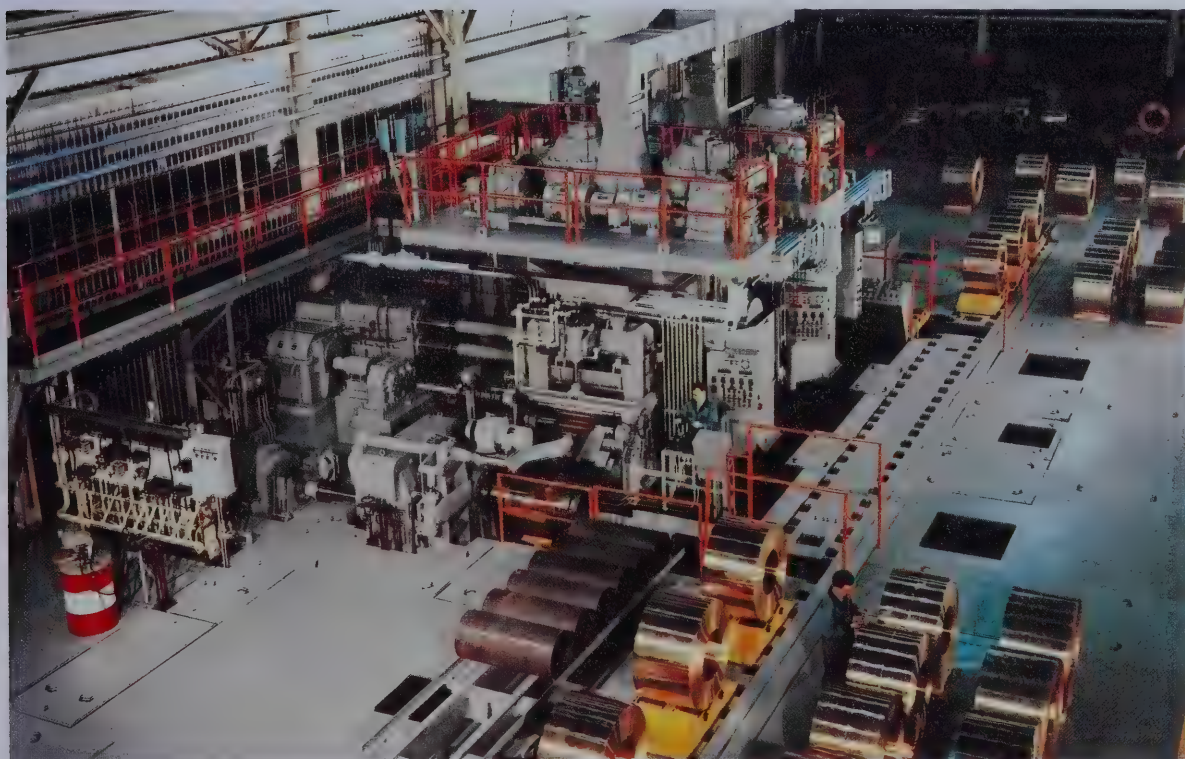
Sales levels reached new highs in 1979 with a total of \$114 million. Although sales in pounds remained static as a result of a downturn in the automotive and housing industries, dollar sales increased, reflecting the spiralling increase in metal value.

Despite the reduced demand expected in our domestic market, the company is applying a determined effort to further penetrate the export sector, particularly, in the United States. New sales agencies have been appointed in the U.S. and have already demonstrated improved export sales. Increased sales representation combined with the lower Canadian dollar will produce positive sales results.

While the immediate future may be a time for guarded optimism because of economic conditions, the intermediate and long term holds promise. Plans to modernize the tube mill were announced earlier in 1979. The program, costing in excess of \$8 million, will be phased in over a three year period and will increase our tube-making capacity substantially.

Currently underway and scheduled for completion in September 1980 is the \$1.5 million expansion of the casting shop which is essential to facilitate increased capacity in the other production areas.

*This massive two-stand tandem rolling mill uses two x-ray gauges and an automatic gauge control system to hold tight tolerances at high production speeds.*



# Automotive Hardware Limited

and its wholly owned subsidiary companies

## Comparative Consolidated Balance Sheet

as at December 31

### ASSETS

|  | 1979                 | 1978                 |
|--|----------------------|----------------------|
| <b>CURRENT ASSETS</b>  |                      |                      |
| Accounts Receivable (Less Allowance for Doubtful Accounts) . . . . . | \$ 23,985,067        | \$ 20,578,473        |
| Inventories at Lower of Cost or Replacement Cost . . . . .           | 30,502,827           | 24,742,367           |
| Marketable Investments . . . . .                                     | 104,283              | 12,804               |
| Sales Tax and Duty Drawback Claims Outstanding . . . . .             | 252,441              | 230,129              |
| Prepaid Expenses and Deposits . . . . .                              | 370,698              | 716,693              |
| Corporation Taxes Overpaid . . . . .                                 | —                    | 354,367              |
| Deferred Income Taxes Re: Inventory . . . . .                        | 7,950,011            | 5,224,371            |
|  | <b>\$ 63,165,327</b> | <b>\$ 51,859,204</b> |
| <b>FIXED ASSETS, AT COST</b>   |                      |                      |
| Land . . . . .   | \$ 1,392,309         | \$ 1,392,309         |
| Buildings . . . . .  | 13,722,511           | 13,198,316           |
| Machinery and Equipment . . . . .                                    | 49,142,289           | 47,823,571           |
| Motor Vehicles . . . . .   | 587,279              | 669,315              |
| Leasehold Improvements . . . . .                                     | 262,571              | 264,248              |
| Dies and Small Tools . . . . .                                       | 180,000              | 180,000              |
|  | <b>\$ 65,286,959</b> | <b>\$ 63,527,759</b> |
| Less — Accumulated Depreciation . . . . .                            | 42,655,874           | 40,619,183           |
|  | <b>\$ 22,631,085</b> | <b>\$ 22,908,576</b> |
| <b>MILL ACQUISITION AND DEVELOPMENT COSTS</b> . . . . .              | <b>\$ 974,927</b>    | <b>\$ 984,927</b>    |
| <b>UNAMORTIZED DEBENTURE DISCOUNT</b> . . . . .                      | <b>969</b>           | <b>22,428</b>        |
|  | <b>\$ 86,772,308</b> | <b>\$ 75,775,135</b> |

The accompanying notes form an integral part of these financial statements.



## LIABILITIES

|   | 1979                 | 1978                 |
|---|----------------------|----------------------|
| CURRENT LIABILITIES                                   |                      |                      |
| Bank Loans and Overdraft . . . . .                    | \$ 17,588,292        | \$ 17,746,172        |
| Accounts Payable and Accrued Liabilities . . . . .    | 8,988,082            | 7,277,190            |
| Corporation Taxes Payable . . . . .                   | 1,384,039            | 87,104               |
| Dividends Payable . . . . .                           | 341,373              | —                    |
| Sinking Fund Payment . . . . .                        | 5,000                | —                    |
| Current Portion of Long-Term Debt . . . . .           | 925,909              | 865,946              |
|   | <b>\$ 29,232,695</b> | <b>\$ 25,976,412</b> |
| LONG-TERM DEBT (LESS CURRENT PORTION ABOVE) . . . . . | \$ 8,849,537         | \$ 10,861,825        |
| DEFERRED INCOME TAX CREDIT . . . . .                  | \$ 5,855,943         | \$ 3,023,162         |

## SHAREHOLDERS' EQUITY

|  |                      |                      |
|--|----------------------|----------------------|
| CAPITAL STOCK . . . . .                  | \$ 4,411,960         | \$ 3,277,053         |
| CONSOLIDATED RETAINED EARNINGS . . . . . | 35,203,814           | 29,418,324           |
| CONTRIBUTED SURPLUS . . . . .            | 3,218,359            | 3,218,359            |
|  | <b>\$ 42,834,133</b> | <b>\$ 35,913,736</b> |
|  | <b>\$ 86,772,308</b> | <b>\$ 75,775,135</b> |

Approved on Behalf of the Board of Directors:

IRWIN GOLDHART, Director.

GOLDIE POTASHIN, Director.

# Automotive Hardware Limited

and its wholly owned subsidiary companies

## Comparative Consolidated Statement of Earnings

for the years ended December 31

|   | 1979           | 1978          |
|---|----------------|---------------|
| SALES .....   | \$ 162,918,532 | \$ 92,640,399 |
| Cost of Goods Sold and Operating Expenses<br>Exclusive of Items Shown Below ..... | 149,177,867    | 84,884,446    |
|   | \$ 13,740,665  | \$ 7,755,953  |
| Depreciation .....  | \$ 2,386,986   | \$ 1,885,617  |
| Interest on Long-Term Debt .....  | 1,371,363      | 848,930       |
| Amortization of Debenture Discount .....  | 21,459         | 35,210        |
|   | \$ 3,779,808   | \$ 2,769,757  |
| Income Before Income Taxes .....  | \$ 9,960,857   | \$ 4,986,196  |
| Income Taxes .....  | 3,761,132      | 1,932,931     |
| Earnings from Operations .....  | \$ 6,199,725   | \$ 3,053,265  |
| Realization of Deferred Income Taxes .....  | \$ 1,033,345   | \$ 1,015,158  |
| Extraordinary Income .....  | 17,653         | 36,101        |
| Gain on Disposal of Mining Assets .....   | —              | 7,396,995     |
|   | \$ 1,050,998   | \$ 8,448,254  |
| TOTAL EARNINGS .....  | \$ 7,250,723   | \$ 11,501,519 |
| EARNINGS PER SHARE (See Also Note II)   |                |               |
| Shares Outstanding .....  | 2,275,820      | 2,110,950*    |
| From — Operations .....   | \$2.72         | \$1.45        |
| — Sources Other Than Operations .....   | .46            | .50           |
|   | \$3.18         | \$1.95        |
| — Gain on Disposal of Mining Assets .....   | —              | 3.50          |
|   | \$3.18         | \$5.45        |

\* Earnings per share figures for 1978 give effect to the 1979 subdivision of 2 for 1.

## Comparative Consolidated Statement of Retained Earnings

for the years ended December 31

|                                 | 1979          | 1978          |
|---------------------------------|---------------|---------------|
| Balance, January 1 .....        | \$ 29,418,324 | \$ 18,522,439 |
| Net Earnings for the Year ..... | 7,250,723     | 11,501,519    |
|                                 | \$ 36,669,047 | \$ 30,023,958 |
| Dividends Declared .....        | 1,465,233     | 605,634       |
| Balance, December 31 .....      | \$ 35,203,814 | \$ 29,418,324 |

The accompanying notes form an integral part of these financial statements.



# Comparative Consolidated Statement of Changes in Financial Position

for the years ended December 31

|   | 1979                 | 1978                 |
|---|----------------------|----------------------|
| <b>SOURCES OF FUNDS</b>   |                      |                      |
| Earnings from Operations  | \$ 6,199,725         | \$ 3,053,265         |
| Realization of Deferred Income Taxes  | 1,033,345            | 1,015,158            |
| Extraordinary Income  | 17,653               | 36,101               |
| Gain on Disposal of Mining Assets   | —                    | 7,396,995            |
|   | <b>\$ 7,250,723</b>  | <b>\$ 11,501,519</b> |
| Depreciation  | 2,386,986            | 1,885,617            |
| Amortization of Debenture Discount  | 21,459               | 35,210               |
| <b>FUNDS FROM OPERATIONS</b>  | <b>\$ 9,659,168</b>  | <b>\$ 13,422,346</b> |
| Principal Repayments of Mortgage Receivable                                       | —                    | 17,967               |
| Current Portion of Mortgage Receivable  | —                    | 9,428                |
| Increases in Share Capital  | 1,134,907            | 1,572,778            |
| Increases in Long-Term Debt — Non-Current   | —                    | 7,240,418            |
| Deferred Income Tax Credit Adjustment   | 2,832,781            | 494,642              |
| Excess of Book Value of Net Assets Over Acquisition Cost of<br>Subsidiary Company | —                    | 1,377,288            |
|   | <b>\$ 13,626,856</b> | <b>\$ 24,134,867</b> |
| <b>USES OF FUNDS</b>  |                      |                      |
| Purchase of Fixed Assets (Less Cost of Disposals)                                 | \$ 2,099,495         | \$ 14,346,689        |
| Reduction in Long-Term Debt   | 2,012,288            | —                    |
| Dividends Declared  | 1,465,233            | 605,634              |
|   | <b>\$ 5,577,016</b>  | <b>\$ 14,952,323</b> |
| <b>INCREASE IN WORKING CAPITAL AS SET OUT BELOW</b>                               | <b>8,049,840</b>     | <b>9,182,544</b>     |
|   | <b>\$ 13,626,856</b> | <b>\$ 24,134,867</b> |
| <b>CHANGES IN THE ELEMENTS OF WORKING CAPITAL</b>                                 |                      |                      |
| Working Capital, January 1  | \$ 25,882,792        | \$ 16,700,248        |
| Current Asset Increase  | 11,306,123           | 30,356,813           |
|   | <b>\$ 37,188,915</b> | <b>\$ 47,057,061</b> |
| Current Liability Increase  | 3,256,283            | 21,174,269           |
| <b>Working Capital, December 31</b>   | <b>\$ 33,932,632</b> | <b>\$ 25,882,792</b> |

The accompanying notes form an integral part of these financial statements.

# Automotive Hardware Limited

and its wholly owned subsidiary companies

## Notes to Consolidated Financial Statements

December 31, 1979

### 1. BASIS OF CONSOLIDATION.

The accompanying balance sheet and statements of earnings, retained earnings and changes in financial position combine the accounts of Automotive Hardware Limited and its wholly owned subsidiary companies. The following information relates to ArrowHead Metals Ltd.:

|   | Year Ended<br>December 31,<br>1979 | Seven Months<br>Ended<br>December 31,<br>1978 |
|---|------------------------------------|---|
| Sales .....   | \$114,031,506                      | \$ 48,646,460                                 |
| Earnings from Operations .....                          | \$ 2,937,304                       | \$ 603,928                                    |
| Realization of Deferred Income Taxes .....              | \$ 1,033,345                       | \$ 1,015,158                                  |
| Earnings Before Gain on Disposal of Mining Assets ..... | \$ 3,961,758                       | \$ 1,619,086                                  |

All material inter-company transactions and balances on the above-mentioned consolidated statements were eliminated for purposes of the consolidation.

### 2. ARROWHEAD METALS LTD.

Effective May 31, 1978, all the issued capital stock of Anaconda Canada Limited was acquired from the Anaconda Company by a newly incorporated subsidiary company of Automotive Hardware Limited, for the sum of \$32,000,000. On June 1, 1978, the newly incorporated subsidiary and Anaconda Canada Limited were amalgamated, and continued its operations as ArrowHead Metals Ltd.

On June 7, 1978, the mining assets of ArrowHead Metals Ltd. were sold for \$8,950,000. This transaction resulted in a gain of \$7,396,995 over the book values. Such gain is separately reported on the statement of earnings. No provision has been made for income taxes on such gain because ArrowHead Metals Ltd. was able to shelter the taxable portion of the gain through the claiming of capital cost allowances. (See also Note 3(b) re: depreciation).

### 3. ACCOUNTING POLICIES

#### (a) Inventories:

All inventories are valued at the lower of cost or replacement cost. All companies except ArrowHead Metals Ltd. determine cost on a "first-in, first-out" basis. ArrowHead Metals Ltd. values its major metals inventory on a "last-in, first-out" basis.

ArrowHead Metals Ltd. inventory on December 31:

|  | 1979          | 1978          |
|--|---------------|---------------|
| (i) "Last-in, first-out" basis .....   | \$ 9,159,036  | \$ 9,725,299  |
| (ii) "First-in, first-out" basis ..... | 26,299,639    | 20,671,266    |
| Difference .....                       | \$ 17,140,603 | \$ 10,945,967 |

#### (b) Depreciation:

The companies charge depreciation in their accounts at various rates. All rates have been chosen so as to amortize the cost of the assets over their estimated useful lives. Expenditures for maintenance and repairs are charged to income as incurred, and expenditures for major renewals and betterments are capitalized.

The cost and accumulated depreciation in respect of property retired or sold are eliminated from the asset and related depreciation accounts. Profits and losses on such retirements or sales are reflected as "Extraordinary Income" on the statement of earnings.

#### (c) Income Taxes:

(i) The companies follow the tax allocation principle of providing for income taxes. Under this principle (a) the earnings statement reflects income tax expense based on consolidated operating results; (b) income taxes payable are calculated on the basis of each company's taxable income; and (c) the excess of income tax expense under (a) above and income taxes payable under (b) above is reflected as an adjustment to the deferred income tax credit on the balance sheet.



## Notes (continued)

- (ii) On December 31, 1978, ArrowHead Metals Ltd. had undepreciated capital costs available for tax purposes, in excess of its depreciated book values, in an amount of \$2,403,043. During 1979, such excess was utilized and resulted in a reduction of income taxes otherwise payable in the sum of \$1,033,345. This latter amount is reflected as a realization of deferred income taxes on the statement of earnings.

### 4. LONG-TERM DEBT (SECURED).

|  | Year of<br>Final<br>Payment | Balance as at December 31, |                      |
|--|-----------------------------|----------------------------|----------------------|
|  |                             | 1979                       | 1978                 |
| Equipment Contracts Payable                          | 1982                        | \$ 201,948                 | \$ 287,912           |
| Realty Mortgage — 10%                                | 1981                        | 95,500                     | 105,500              |
| Realty Mortgage — 10%                                | 1980                        | 54,885                     | 59,885               |
| Realty Mortgage — 6-7/8%                             | 1986                        | 494,760                    | 559,416              |
| Convertible Debenture — Series A, 6%                 | 1989                        | 51,000                     | 1,068,000            |
| Bank Debentures (re: ArrowHead) 7/8 of 1% Over Prime | 1988                        | 8,882,353                  | 9,647,058            |
|  |                             | <u>\$ 9,780,446</u>        | <u>\$ 11,727,771</u> |
| Less—Amounts due within one year                     |                             | 930,909                    | 865,946              |
|  |                             | <u>\$ 8,849,537</u>        | <u>\$ 10,861,825</u> |

### 6% CONVERTIBLE DEBENTURE SERIES A, DUE JULY 2, 1989.

- (a) This debenture, issued July 2, 1969, is secured by a floating charge on the assets of Automotive Hardware Limited and its designated wholly owned subsidiary companies. Interest is paid semi-annually;
- (b) Each debenture was convertible at the holder's option at any time up to July 2, 1979, at a conversion rate of 140 Class A shares per \$1,000 principal amount;
- (c) In each of the years 1980 to 1988, the company is obliged to pay to the trustee, by way of a sinking fund, an amount of \$5,000;
- (d) During 1979, debentures totalling \$1,017,000 were converted into 142,380 Class A shares.

### 5. (a) CAPITAL STOCK.

On January 15, 1979, Automotive Hardware Limited obtained amended Articles of Incorporation to give effect to the following:

- (i) Subdividing its issued shares on a 2 for 1 basis;
- (ii) Creating a new Class C redeemable share for use in the payment of stock dividends on Class B shares.

The comparative share structure is as follows:

#### AUTHORIZED

|  | Number of Authorized Shares<br>as at December 31, |           |
|--|---|-----------|
|  | 1979  | 1978      |
| Class A, Voting, Convertible Shares, Without Par Value | 7,000,000   | 3,500,000 |
| Class B, Voting, Convertible Shares, Without Par Value | 7,000,000   | 3,500,000 |
| Class C, Non-Voting, Redeemable Shares, Par Value 1¢   | 695,706,110                                       | —         |
| Common Shares, Without Par Value                       | 520,000   | 260,000   |

#### OUTSTANDING AND FULLY PAID

|  | 1979                                |                     | 1978             |                     |
|--|-------------------------------------|---------------------|------------------|---------------------|
|  | Giving Effect to 2:1<br>Stock Split |                     |                  |                     |
|  | Number                              | Amount              | Number           | Amount              |
| January 1, Class A                         | 537,250                             |                     | 201,965          |                     |
| Class B                                    | 1,573,700                           |                     | 739,225          |                     |
|  | <u>2,110,950</u>                    | <u>\$ 3,277,053</u> | <u>941,190</u>   | <u>\$ 1,704,275</u> |
| Debenture Conversion                       | 142,380                             | 1,017,000           | 100,660          | 1,438,000           |
| Employee Stock Options                     | 22,490                              | 117,907             | 13,625           | 134,778             |
|  | <u>2,275,820</u>                    | <u>\$ 4,411,960</u> | <u>1,055,475</u> | <u>\$ 3,277,053</u> |
| December 31, Class A                       | 691,765                             |                     | 268,625          |                     |
| Class B                                    | 1,584,055                           |                     | 786,850          |                     |
|  | <u>2,275,820</u>                    |                     | <u>1,055,475</u> |                     |
| Class C Shares — Issued as Stock Dividends | 104,293,890                         | \$ 1,042,939        | —                | —                   |
| Redeemed for Cash                          | 104,293,890                         | 1,042,939           | —                | —                   |
| Outstanding December 31                    | <u>—</u>                            | <u>—</u>            | <u>—</u>         | <u>—</u>            |

# Notes (continued)

## (b) EMPLOYEES' STOCK OPTION PLAN — CLASS A SHARES.

|  | Number of Shares |                      |
|--|------------------|----------------------|
|  | Under Option     | Available for Option |
| Balance at January 1, 1979 (after 2:1 Stock Split) ..... | 29,490           | 52,530               |
| Options Granted .....                                    | 19,200           | —                    |
| Options Terminated .....                                 | —                | —                    |
| Options Exercised for Consideration of \$117,907 .....   | (22,490)         | (22,490)             |
| Balance at December 31, 1979 .....                       | 26,200           | 30,040               |

Options are outstanding to 33 employees (including 3,300 to 1 director) at 90% of market value at the time of granting.

## 6. CONTRIBUTED SURPLUS.

|   |              |
|---|--------------|
| Contributed Surplus — unchanged during the year ..... | \$ 3,218,359 |
|---|--------------|

## 7. COMMITMENTS.

### (a) Leases:

The company and its subsidiary companies have entered into major realty leases terminating at various times up to 1986. Total commitments under such leases were 1979 — \$1,146,532; plus realty taxes in each year as applicable. The company has no significant capital leases.

### (b) Pension Plans:

The following amounts were expensed during 1979:

|                            |                     |
|----------------------------|---------------------|
| Current Service .....      | \$ 718,341          |
| Past Service Funding ..... | 1,396,062           |
|                            | <u>\$ 2,114,403</u> |

Past service funding of the various plans is currently estimated as follows:

|                              | Past Service<br>Funding<br>Payments<br>Required |
|------------------------------|---|
| 1980 to 1989 inclusive ..... | \$ 1,355,741                                    |
| 1990 .....                   | \$ 267,485                                      |
| 1991 .....                   | \$ 69,204                                       |
| 1992 .....                   | \$ 53,681                                       |
| 1993 .....                   | \$ 28,303                                       |

### (c) Bank Loans:

Bank loans were secured by a registered assignment of accounts receivable. In addition, the bank loans of ArrowHead Metals Ltd. were secured under Section 88 of the Bank Act, a debenture on its assets, and a guarantee of Automotive Hardware Limited for the sum of \$2,000,000.

### (d) Letters of Credit outstanding — \$1,772,325.

### (e) Equipment:

At December 31, 1979, the company and its wholly owned subsidiary companies had entered into commitments to purchase production equipment aggregating approximately \$439,394.

## 8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS.

|   |            |
|---|------------|
| Total Direct Remuneration .....               | \$ 756,756 |
| Company Contributions to Pension Plans .....  | \$ 6,650   |
| Number of Directors and Senior Officers ..... | 13         |

## 9. Pursuant to lease commitments, Irwin Goldhart Investments Limited, of which company Mr. Irwin Goldhart is the shareholder and president, received rentals totalling \$228,123 from Automotive Hardware Limited, of which company he is the president, for warehouses in Vancouver, Montreal and Dartmouth.



# Notes (continued)

## 10. CONTINGENT LIABILITIES.

An assessment in the amount of \$80,000 by Revenue Canada, Customs and Excise Division, against a subsidiary company is under appeal, and has not been reflected in the attached financial statements.

## 11. EARNINGS PER SHARE.

|  | 1979      | 1978      |
|--|-----------|-----------|
| Shares Outstanding .....   | 2,275,820 | 1,055,475 |
| Shares Reserved for Debenture Conversion .....                       | —         | 74,760    |
| Shares Reserved for Employee Options Granted and Outstanding .....   | 26,200    | 14,745    |
| Shares Reserved and Outstanding .....                                | 2,302,020 | 1,144,980 |
| Effect of 1979 Subdivision of 2 for 1 .....                          |           | 2,289,960 |
| Earnings per Share Based on Shares Outstanding:                      |           |           |
| From — Operations .....  | \$2.72    | \$1.45    |
| — Sources Other Than Operations .....                                | .46       | .50       |
|  | \$3.18    | \$1.95    |
| — Gain on Disposal of Mining Assets .....                            | —         | 3.50      |
|  | \$3.18    | \$5.45    |
| Diluted Earnings per Share Based on Shares Outstanding and Reserved: |           |           |
| From — Operations .....  | \$2.70    | \$1.38    |
| — Sources Other Than Operations .....                                | .46       | .46       |
|  | \$3.16    | \$1.84    |
| — Gain on Disposal of Mining Assets .....                            | —         | 3.23      |
|  | \$3.16    | \$5.07    |

# Auditors' Report

To the Shareholders of  
Automotive Hardware Limited:

We have examined the consolidated balance sheet of Automotive Hardware Limited and its wholly owned subsidiary companies as at December 31, 1979, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1979, and the results of their operations and the changes in their financial position for the year then ended, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.      MILLER, STONE, SAPERIA and ISAACS  
April 16, 1980.                      Chartered Accountants

# Automotive Hardware Limited

and its wholly owned subsidiary companies

## Five Year Financial Summary

(thousands except where indicated)

|                       | 1979              | 1978      | 1977      | 1976      | 1975      |
|-----------------------|-------------------|-----------|-----------|-----------|-----------|
| Sales                 | <b>\$ 162,919</b> | \$ 92,640 | \$ 34,543 | \$ 33,370 | \$ 33,182 |
| Earnings Before Taxes | <b>\$ 11,012</b>  | \$ 6,037  | \$ 3,768  | \$ 4,536  | \$ 7,324  |
| Net Earnings          | <b>\$ 7,251</b>   | \$ 4,105  | \$ 2,610  | \$ 2,543  | \$ 3,748  |
| Net Profit Margin     | <b>4.5%</b>       | 4.4%      | 7.6%      | 7.6%      | 11.3%     |
| Total Assets          | <b>\$ 86,772</b>  | \$ 75,775 | \$ 33,020 | \$ 28,730 | \$ 29,074 |
| Long Term Debt        | <b>\$ 8,850</b>   | \$ 10,862 | \$ 3,621  | \$ 3,865  | \$ 4,084  |
| Shareholders' Equity  | <b>\$ 42,834</b>  | \$ 35,914 | \$ 22,068 | \$ 20,104 | \$ 17,877 |
| Working Capital       | <b>\$ 33,933</b>  | \$ 25,883 | \$ 16,700 | \$ 17,036 | \$ 15,048 |
| Earnings Per Share*   | <b>\$ 3.18</b>    | \$ 1.95   | \$ 1.385  | \$ 1.365  | \$ 2.075  |
| Equity Per Share*     | <b>\$ 18.82</b>   | \$ 17.01  | \$ 11.725 | \$ 10.775 | \$ 9.895  |
| Dividends Per Share** | <b>54¢</b>        | 42¢       | 40¢       | 40¢       | 37.5¢     |

\* These items give effect to the 1979 subdivision of shares on the basis of two for one which became effective on the 15th day of January 1979.

\*\* This includes 12¢ declared February 5, 1979 which normally would have been declared as a quarterly dividend in December, 1978.



# Automotive Hardware Limited

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## Head Office:

55 Brown's Line,  
Toronto, Ontario

## Subsidiaries:

ArrowHead Metals Ltd.  
Automatic Screw Machine Products Limited  
Docap Corporation Limited  
Federal Bolt & Nut Corporation Limited

## Branch Warehouses:

Vancouver, British Columbia  
Edmonton, Alberta  
Calgary, Alberta  
Winnipeg, Manitoba  
Toronto, Ontario  
Montreal, Quebec  
Dartmouth, Nova Scotia

## Manufacturing Plants:

ArrowHead Metals Ltd.  
260-8th Street,  
Toronto, Ontario  
  
Automatic Screw Machine Products Limited  
55 Brown's Line,  
Toronto, Ontario  
  
Docap Corporation Limited  
21 Fasken Drive,  
Rexdale, Ontario  
  
Federal Bolt & Nut Corporation Limited  
55 Brown's Line,  
Toronto, Ontario

## Directors:

Irwin Goldhart,  
President,  
Automotive Hardware Limited

Frances A. Reid,  
Vice-President,  
Automotive Hardware Limited

Goldie Potashin,  
Secretary-Treasurer,  
Automotive Hardware Limited

Sidney Goldhart,  
Vice-President,  
Docap Corporation Limited

Ross M. Hanbury,  
Consultant

Harry L. Mendelson, Q.C.,  
Barrister and Solicitor

## Officers:

Irwin Goldhart, President  
Frances A. Reid, Vice-President  
Goldie Potashin, Secretary-Treasurer  
L.E. Gazley, Vice-President, Marketing  
Henry Lubaszka, C.A., Vice-President, Finance  
Manuel Harris, C.A., Comptroller

## Registrar, Transfer Agent and Trustee:

National Trust Company Limited  
Montreal, Toronto, Winnipeg, Calgary and Vancouver

## Bankers:

Canadian Imperial Bank of Commerce

## Auditors:

Miller, Stone, Saperia and Isaacs  
Chartered Accountants

## Shares Listed:

Toronto Stock Exchange







